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III. Minority-Owned Television

As noted earlier, the medium of television is not targeted to narrow audience demographics in the same way as radio. Consequently, efforts to analyze any linkage between televised minority-oriented programming and advertising practices bore evidence only with regard to such Spanish-language television stations. In response to questions concerning discriminatory advertising practices related to programming, one station wrote in the margin of the survey, "radio maybe, not television."

Problems related to researching the relationship between television programming and discriminatory advertising practices are compounded by the fact that a significant number of stations owned by African-Americans are Home Shopping Network affiliates that air continuous advertisements. Therefore, complaints about lack of advertiser support coming from these stations may stem from the unique nature of their program format and not from the racial or ethnic composition of their viewing audience.

Excluding the responses of the Home Shopping stations to the survey questions, CRF found only one Spanish-language station that alleged negative advertiser support due to its Spanish-language format and the minority composition of its viewing audience. A Spanish-language station located in a different market responded in just the opposite way—that it had not experienced lack of advertiser support for Spanish-language programming or its minority viewing audience.

The one Spanish-language station that reported negative advertising support for its programming noted that racial discrimination had been encountered in other forms as well. According to the General Manager of a television station in the south-west region, comments from advertisers such as the following are frequently heard:

*Mexicans have bad credit, Mexicans cannot afford our product.*²²⁸

With regard to the issue of whether minority sales staff or status as a minority owner have any bearing on the decision-making of advertisers, the response of the stations was divided and could not form the basis of any broad generalizations.

A. Results of the Survey Questionnaire

The survey questionnaire was completed by eleven stations.²²⁹ While this number may be insufficient to support broad generalizations, the survey results contain widely varied responses regarding advertiser support. Station characteristics that account for some of the range of experiences with advertisers include Spanish-language format, continuous advertisement format, and market location. Further research in this area should attempt to control for these factors.

²²⁸ Survey submitted by station that has requested anonymity.

²²⁹ The survey instrument was sent to all 30 television licensees identified by the U.S. Department of Commerce in 1997 as owned by minorities. Thus, the survey results are based upon completed questionnaires submitted by 36.6% of the sample universe.

1. The Relationship Between Minority-Oriented and Spanish Language Programming and Advertiser Support.

Of the eleven stations that responded to the survey, only two indicated that more than half of their programming is targeted to minority viewers. Both of these stations were Univision affiliates²³⁰ that program a significant portion of their programming in the Spanish language.

In response to questions concerning discriminatory advertising practices related to programming, only a few stations noted that such practices might be related to programming in a language other than English or programming targeted to minority viewers. The two Spanish language stations provided opposite responses to this issue. Specifically, KLDO indicated that advertisers do *not* withhold support due to minority viewership or non-English programming. The other Spanish language station, KINT, responded just the opposite—that advertisers *do* withhold support due to minority viewership and also because of non-English programming.

Two stations owned by Granite Broadcasting,²³¹ neither of which air Spanish language programming or devote over half of their programming to minorities, provided responses that were consistent with KINT—that foreign language and minority targeted programming will adversely affect advertising performance. Granite Broadcasting station agreed that advertisers are less likely to patronize minority programming and non-English language programming. WTVH disagreed with those statements.

In summary, the response to the questions was as follows:.

Q. Does your station target more than half of its programming to minority viewers?
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A. Yes (two stations)

A. No (nine stations)

and...

²³⁰ Univision is the largest programmer of Spanish-language television in the U.S. The Univision Network is publicly-traded and non-minority-owned. Univision owns several stations, while other affiliates are independently owned but air Univision's programming.

²³¹ Granite Broadcasting is a minority-owned company that owned 12 television stations in 1997. See, BIA MasterAccess database, 1998. The majority of its programming is "general market" format.

Q. If your answer to question #1 is "no," is there another socio-economic audience segment toward which a majority of your programming is targeted?

A. Yes. (one station²³²)

A. No (eight stations)

and...

Q. Do you believe that advertisers or their advertising agency representatives engage in practices to withhold advertising support to a station if they perceive the station's programming is targeted to the viewers described in questions 1 or 2?

A. Yes (two stations)

A. No (nine stations)

and...

Q. Do you believe that advertisers or their advertising agency representatives withhold advertising support to a station because the station's programming is in a non-English language?

A. Yes (three stations)

A. No (seven stations)

and...

Q. Do you know of specific advertisers or advertising agencies that view your programming and/or audience reached as negative factors which prohibit them from using your station as an advertising vehicle?

A. Yes (two stations)

A. No (nine stations)

²³² One Home Shopping Network affiliate indicated that its programming targets the general population and that no specific efforts are directed toward minority viewers.

The two stations that responded in the affirmative to the last question also indicated that advertiser support is either withheld or substantially discounted due to their programming. The Home Shopping Channel indicated that 71% or more of its advertising support is either withheld or discounted due to its programming. One of the Spanish language stations indicated that 25-30 percent of its advertising support is lost due to the nature of its minority-oriented programming.

These same two stations and an additional Home Shopping affiliate indicated that members of their sales staff have had encounters with ad agencies or advertisers that would "lead [one] to believe that [their] station's programming was a negative factor in obtaining advertiser support." In response to a question about the level of decision-making within the advertiser community, one Home Shopping affiliate attributed the lack of advertiser support to decision-making by ad agencies. The other Home Shopping affiliate attributed the lack of support to ad agencies as well as advertisers. Ad agencies were perceived as responsible for the lack of support, according to the Spanish-language station.

Only two stations estimated the amount of lost sales related to negative advertiser perceptions about minority-targeted programming. One Univision affiliate estimated lost sales at 17 percent. A Home Shopping affiliate estimated lost sales in excess of 60 percent. It should be noted that the programming of both of the Home Shopping affiliates is not targeted to minority viewers. It is presumed, therefore, that any negative perceptions on the part of advertisers are related to the continuous advertisements that are aired by these stations.

2. The Relationship Between Ownership and Control by Minorities and Advertiser Support

The response was divided on the question of whether ownership or control by minorities negatively affected advertiser support. Four of the eleven stations responded in the affirmative to the question, "Do you believe that advertisers or their advertising agency representatives engaged in practices to withhold advertising support to your station, if they perceive the station's ownership and control is by minorities?" WHSL, a Home Shopping affiliate in St. Louis, Missouri, and KINT,²³³ a Univision affiliate in El Paso, Texas indicated that they knew of specific advertisers or agencies that view their station's ownership or control by minorities as negative factors that hinder advertiser support.

Questions related to ownership were completed by the latter two stations as follows; the other nine stations did not respond to these questions.

²³³ KINT is owned by Entravision Holdings LLC, an Hispanic broadcaster.

Q. Has anyone on your station's sales force reported or discussed any encounters with advertisers or their advertising agency representatives which would lead you to believe that your station's ownership and control by minorities as a negative factor in obtaining advertising support?

A. Yes (WHSL & KINT)

and...

Q. If you answered yes to question # 5, at which level in the decision making process do you believe your station's potential to obtain advertising support from advertisers or their advertising agency representatives was impaired?

A. Mostly from advertisers (KINT)

A. [Advertisers and ad agencies] evenly (WHSL)

and...

Q. Give an estimate of sales loss which can be attributable to advertisers or their advertising agency representatives perception of your station's ownership and control by minorities

A. 3% to 5% (KINT)

A. 61% or more (WHSL)

The next section summarizes the survey findings concerning minority sales personnel.

3. The Relationship Between Minority Sales Staff and Advertiser Support

Stations were asked to respond to questions concerning the experiences of minority sales staff in relationship to advertiser support. Four of the stations indicated that the race or ethnic background of their sales staff *does* have a bearing upon the decision-making of ad agencies or advertisers to support their station. Seven of the stations indicated that the race of the sales staff was *not* a factor. The first four stations also indicated that the minority status of their sales staff can have either a positive or a negative impact on the decision-making of advertisers. Specifically, in some instances, status as a minority sales person was a positive factor in encouraging sales, and in another set of instances the impact was negative.

The following questions were completed by only the four stations that indicated that the race or ethnic background of sales personnel has a bearing upon advertiser support.

Q. <u>What percent of cases</u> has the minority race or ethnic background of your sales representative had a negative bearing upon decision of an agency or advertiser to place an ad with your station?
--

A. 0% to 10% (two stations)

A. 11% to 30% (two stations)

and...

Q. <u>What percent of cases</u> has the minority race or ethnic background of your sales representative had a positive bearing upon decision of an agency or advertiser to place an ad with your station?
--

A. 0% to 10% (three stations)

A. 71% and above (one station)

Three of the television stations indicated that they knew of specific advertisers or ad agencies that had not supported their station due to the minority status of the salesperson. The same three stations also provided an indication of how frequently advertiser support is withheld due to the minorities in the sales force.

Q. If yes, please indicate the percentage of instances during the course of a year that advertising support is either withheld or substantially discounted because of the minority status of your salespeople.

A. 0% to 10% (one station)

A. 11% to 30% (three stations)

Four of the eleven stations also indicated that members of their sales force reported encounters with advertisers or ad agencies that led them to believe that the race or ethnic background of the salesperson contributed to the inability to obtain advertising. All four of the same stations reported that those difficulties stemmed from the advertisers themselves, as opposed to the ad agencies.

Five of the stations indicated that they experience a 0% to 10% loss in sales that can be attributed to advertiser or ad agency perceptions concerning the minority status of sales personnel representing the station.

As a summary question, the survey requested the stations to rate several factors that potentially affect the decision-making of agencies or advertisers. Averages for the responses provided by the eight stations that supplied answers to the question are as follows:

Question: To what extent do the following factors negatively influence advertiser or advertising agency decisions to advertise on your station?	Average Rate on a scale of 1 to 10 (1 denotes highest level of importance)
programming targeted to minority audience	8
programming targeted to [other specific audience demographics]	9
station ownership and control by minorities	10
race/gender of the account executive representing the station	8

The next section suggests areas for further research.

B. Recommendations for Further Policy Analysis

The survey instrument for this study was sent to all 30 television stations listed as owned by minorities by the U.S. Department of Commerce.²³⁴ The eleven stations that elected to participate represent 36.6% of the sample universe. Given the small size of the survey response and the small number of minority television owners, future research should endeavor to achieve survey participation that is representative of the ethnic and network diversity that characterizes minority ownership.

In order to better understand the relationship between advertiser support and minority-owned television stations, follow-up research should control for certain factors that this study found to influence the findings: 1) non-English language (e.g. Spanish or Chinese) programming; 2) market location, which may influence perceptions regarding minority ownership; and 3) affiliation with the Home Shopping Network, which appears to cause reluctance on the part of some advertisers due to lack of entertainment and informational programming. Future research should also examine the impact of advertising practices on the choice of whether shows related to minorities are produced or aired, and

²³⁴ See, NTIA Minority Broadcast Ownership Report, 1997. The report listed 20 African-American, 9 Hispanic, and 1 Asian owned television stations. Respondents to the survey included 9 African-American and 2 Hispanic-owned stations.

on the advertising performance of such shows. It should also examine the impact of advertising with regard to programming oriented toward women.

An additional issue that warrants further exploration is why so many African-American television owners are affiliated with the Home Shopping Network. An estimated 19% to 25% of the stations owned by African-Americans air 24-hour commercials.²³⁵ Questions to be explored include whether capital market discrimination is preventing African-Americans from establishing affiliations with the major networks and program syndications. The extent to which African-Americans been able to migrate from HSN to the major networks should also be researched.

²³⁵ Of the 20 African-American owned television licences listed in the U.S. Department of Commerce Minority Ownership Report for 1997, five were Home Shopping Network affiliates compared to four ABC, five NBC, two CBS, one Fox, and one World Broadcasting affiliates. One station was independent and the affiliation for one other was unknown.

IV. Conclusion

The findings of this study can be summarized as follows:

- A. Radio stations that target programming to minority listeners are unable to earn as much revenue per listener as stations that air general market programming.
- B. Minority-owned radio stations earn less revenue per listener than majority broadcasters that own a comparable number of stations nationwide.
- C. These disparities in radio advertising performance may be attributed to a variety of factors including economic efficiencies derived from common ownership, assessments of income and spending patterns, and racial stereotypes that influence the media buying process. It was beyond the scope of this study to determine the precise degree to which each of these factors may explain these disparities.
- D. Anecdotal data collected by the study suggest that in certain instances the media buying process is guided by factors including: stereotypical perceptions of minorities, presumptions about minority disposable income, the desire to control product image, unfounded fears of pilferage.
- E. Anecdotal data suggest that the factors mentioned in item D appear to form the basis of "no Urban/Spanish dictates" and "minority discounts" as practiced by advertisers and/or ad agencies.

Advertisements are the life-blood of the broadcast industry. To the extent that "no Urban/Spanish dictates" and "minority discounts"²³⁶ impede the ability of minority-formatted stations to obtain advertisements, such stations are less able to serve the needs of the listening public.

The consensus view of the media executives interviewed and surveyed for this study was that advertisers and/or ad agencies place less value on minority consumers. This view was supported by quantitative evidence that indicated that stations which target programming to minorities earn less ad revenue per listener than stations which program to the general market. Perhaps the single most important observation that can be made in light of the evidence is that it is the interest of radio listeners that are ultimately being imperiled.

Minorities overwhelmingly patronize stations that are hampered by "no Urban/Spanish dictates" and "minority discounts." It is their choice of programming options, therefore, that are being compromised. However, these practices also have implications for *all Americans*. By

lessening the incentives to air a diversity of ideas, including views and programming of interest to minorities, all Americans receive a narrower range of information.

In the context of EEO requirements intended to promote programming diversity, FCC Chairman William E. Kennard and Commissioner Gloria Tristaini commented:

²³⁶ See Glossary, Appendix K.

*[T]he issue is whether we will ensure that the mass media reflect all of society for the benefit of all of society. We believe that these principles are the bedrock of our democratic system of government and our way of life as a free and inclusive society.*²³⁷

If we are to continue making great strides in ridding the media of racial and ethnic stereotypes and ensuring that news and public affairs programming is responsive to the needs of all sectors of society, practices that discriminate against the minority consumers must be prohibited. Accordingly, the Commission should exercise its jurisdiction to further investigate how “no Urban/Spanish dictates” and “minority discounts” act as market entry barriers, and take appropriate action. By doing so, the Commission will promote competition and ensure that the broadcast media is able to serve the needs of diverse sectors of American society.

Twenty years ago, the Commission acknowledged that the views of minorities are inadequately represented in the broadcast media.²³⁸ In 1998, only 2.9% of the nation’s radio stations and 2.6% of the country’s television stations were owned by minorities, although minorities comprised approximately 27% of the population.²³⁹ Advertising practices that impede competition, market entry, and access to capital for minority-formatted stations further compound the problem of inadequate minority representation in the media.

“No Urban/Spanish dictates” and “minority discounts” also appear to have a disproportionate impact on minority broadcasters. Seventy-five percent of minority-owned radio stations air programming targeted to minority listeners. Only eight percent of majority-owned stations air minority-formatted programming. Therefore, policy initiatives designed to address discriminatory advertising problems will greatly benefit minority broadcasters by removing barriers to market entry and growth, enabling such broadcasters to serve the American public.²⁴⁰

²³⁷ Joint Statement of FCC Chairman William E. Kennard and Commissioner Gloria Tristani, 1998 EEO NPRM.

²³⁸ *Statement of Policy on Minority Ownership*, 68 FCC 2d 979, 980 (1978) (“[W]e are compelled to observe that the views of racial minorities continue to be inadequately represented in the broadcast media.”(notes omitted)).

²³⁹ NTIA Minority Ownership Report, 1998, page 1; Section One, page 1; Section Two, page 1, Section Three, page 1, Section Four, page 1.

²⁴⁰ See, *Metro Broadcasting, Inc., v. FCC*, 497 U.S. 547, 581 (Stations owned by minorities “appear to have specific impact on the presentation of minority images in local news, inasmuch as minority-owned stations tend to devote more news time to topics of minority interest and to avoid racial and ethnic stereotypes in portraying minorities.”(notes omitted)).

In the private sector, there is a need for voluntary action on the part of advertisers and ad agencies. The private sector should adopt a code of conduct that prohibits "no Urban/Spanish dictates" and "minority discounts." Ad solicitations by urban and Spanish formatted stations should be evaluated on basis of individual merit and market research, as opposed to blanket policies that disfavor advertising to minorities.

The issues raised in this study hold implications not only for radio, but for other forms of communication as we enter the next millennium. Advertising over the Internet during the second quarter of 1998 increased 97%, compared to the second quarter of 1997.²⁴¹ Internet advertising is projected to reach \$20 billion by the year 2000.²⁴² Like radio, the Internet is a medium that plays host to targeted marketing. In response to an inquiry about critical success factors for advertising on the Internet, one trade publication said:

*Companies targeting well educated, affluent males or 'average' college students have great potential for success, because their segments are highly represented on the Internet.*²⁴³

Such broad generalizations about Internet users tend to perpetrate stereotypical thinking about the characteristics of online users. The Plain Dealer published an article that addressed such thinking. The article opened with the following line:

*Quick now. Conjure up a stereotype of an on-line computer user. Male, right? Mid-30s, maybe 40s. White.*²⁴⁴

Such assumptions ignore the significant and growing presence of minority online users as demonstrated by the 300,000 to 750,000 hits that NetNoir (a web site oriented to African-Americans users) receives every month.²⁴⁵ In the same Plain Dealer article, a Black software developer is quoted as saying:

²⁴¹ 1998 May See \$2 Billion in Online Ads, The Industry Standard, <http://www.thestandard.com/articles/industry-index/0,1447,102,00html>, accessed December 4, 1998.

²⁴² *Putting Money Where Your Mouse Is*, Washington Technology, September 26, 1996, 1996 WL 11557269

²⁴³ *FAQs*, Interactive PR and Marketing News, Phillips Business Information, Inc., August 29, 1997, 1997 WL 10344721.

²⁴⁴ James Cobb, *Cyberspace Offering More For On-Line Blacks*, The Plain Dealer, Cleveland, Ohio, January 8, 1996, 1998 WL 3529959.

²⁴⁵ *Ethnic Sites Find Growing Audience, Advertiser Base*, Electronic Marketplace Report, Simba Information, Inc., November 5, 1996, 1996 WL 8691094.

*Content is the bridge that gets people, and particularly people of color, on-line...It makes people feel welcome.*²⁴⁶

Such online content is not unlike minority-formatted radio. And like radio, the success of web sites (*i.e.* those that appeal to minorities) depends on advertising.

Accordingly, it is important that we as a society become aware of how stereotypes may affect content on radio, television, and the Internet. Stereotypes may drive resources toward or away from a station or web site. Exclusionary practices and those which pay stations less because their audience is composed of minority group members, must be eliminated to ensure a diversity of ideas, programming and viewpoints on the broadcast media. This will also ensure that the new media can serve the interest of all Americans.

²⁴⁶ Note 244, *supra*.